



Office of City Auditor Memorandum

Date: October 31, 2002

To: Sean McDonald, Director, Solid Waste Field Operations, Seattle Public Utilities
Beth Brooks, Acting Manager, Seattle Public Utilities
Rosa Leifi, Acting Disposal Crew Chief, Seattle Public Utilities

From: Scottie Nix, Assistant City Auditor for Internal Controls

Subject: Review of Seattle Public Utilities North and South Recycling and Disposal Station's Cash Handling Procedures

We discussed the contents of this letter with you while it was in draft, and you stated that you intended to implement its recommendations. We want to thank you for the opportunity to work with you and your staff as you strive to improve the Recycling and Disposal Station's daily operations.

Background and Purpose: Seattle Public Utilities' Solid Waste Field Operations Division operates two disposal and recycling stations in Seattle. The Office of City Auditor conducted this audit to evaluate the effectiveness of internal controls for cash operations at both stations.

Scope: We conducted the audit planning and fieldwork during August and September 2002.

Results: We noted the following items concerning the North and South Recycling and Disposal Stations that Seattle Public Utilities should address in the near future.

- The North and South Recycling and Disposal Stations' video surveillance systems are currently in need of repair. According to the Acting Disposal Crew Chief, Seattle Public Utilities discontinued its contract with its surveillance equipment vendor, and has not identified a new vendor to provide technical support for the surveillance and security systems. This is a significant risk given the volume of cash and activity at both recycling and disposal stations. Seattle Public Utilities should ensure that the equipment is repaired as soon as possible to improve the safety of its cashiers. Because the surveillance equipment was inoperable, we were not able to review the procedures for monitoring activity using the equipment or to identify the information that the equipment provides. We recommend that Seattle Public Utilities provide training to the Acting Disposal Crew Chief to use the equipment effectively once it is repaired.
- Neither of the recycling and disposal stations has installed a security alarm or silent security mechanism for cashiers to activate in the event of an emergency. The Seattle Police Department has not reviewed either of the recycling and disposal stations' cash-handling areas to identify improvements to enhance their security. We recommend that Seattle Public Utilities install security alarms at both the North and South Recycling and Disposal Stations, and request that the Seattle Police Department review the stations' cash-handling areas and practices to determine whether security is adequate for the volume of cash handled.

- We reviewed the deposit logs at both recycling and disposal stations to identify any breaks in the deposit bag sequences or discrepancies between the daily cash log amounts and the pick-up amounts recorded by Dunbar, which provides armored car transport services to Seattle Public Utilities. Although we did not identify any significant exceptions, we recommend that cashiers use the deposit bags in sequence. Sequential use of the deposit bags allows for convenient verification of the deposit bags used and the deposits made. We also recommend that the Acting Disposal Crew Chief utilize this information in her daily monitoring of cash operations. The Acting Disposal Crew Chief should also monitor the time that elapses between Dunbar's cash deposit bag pick-ups and the bank's deposit slip validations to ensure that Dunbar delivers the funds in a timely manner.

During our site review, we identified the following issues that were specific to the North Recycling and Disposal Station.

- The cash drawers at the North Recycling and Disposal Station were not secured to the two cashiers' workstations. The risk for the station is that the cash drawers can be removed or fall out easily. We recommend that Seattle Public Utilities secure the cash drawers to the workstations.
- The North Recycling and Disposal Station utilizes a safe for change funds, and another for depositing cash. The deposit safe appeared adequate to meet the needs of the station. However, according to the Acting Disposal Crew Chief, the change safe was not functional during our site visit. We were unable to review the typical procedures for utilizing the change safe because the change safe was unable to generate summary activity reports. We recommend that Seattle Public Utilities formalize and document alternate procedures to cope with this malfunctioning equipment. The alternate procedures should maintain the internal control objectives normally achieved when the equipment is fully operational.

We noted the following issues during our review of cash-handling practices at the South Recycling and Disposal Station.

- The South Recycling and Disposal Station is located three stoplights from a freeway entrance. The close proximity to a major freeway increases the risk that a robber would successfully avoid apprehension, making it critical that the Seattle Police Department review the security at the South Recycling and Disposal Station.
- We counted the cash in the cashier drawers at the South Recycling and Disposal Station and noted that the cashiers did not begin their shifts with an authorized or specified amount of change in their cash registers. One cashier stated that the change fund contained \$355, while the other cashier's register did not contain any funds for making change. We recommend that Seattle Public Utilities establish an authorized change fund balance, specifying the count of each bill and coin denomination with which cashiers would begin their shifts. We recommend that Seattle Public Utilities conduct further research to evaluate cash-handling practices at the South Recycling and Disposal Station.

- We also noted that cashiers could withdraw money from the change safe without depositing any funds into the safe. This places cashiers at risk of being unable to explain variations in the cash funds they deposit. We recommend that Seattle Public Utilities implement security measures to prevent cashiers from withdrawing money from the change safe without making a matching deposit. Cashiers should be able to withdraw funds without making a matching deposit into the change fund safe only when they need to obtain specific, authorized counts of bills and coins for making change.
- In future surprise cash audits arranged by SPU management at the recycling and disposal stations, the cash contained in the change safe, armored car deposit safe, deposit bags, and cash drawers will need to be counted to determine whether the station's cash funds are balanced. We recommend that Seattle Public Utilities conduct a comprehensive surprise cash count at the South Recycling and Disposal Station in the near future.

cc: Jan Drago, Chair, Finance, Budget, Business and Labor Committee
Margaret Pageler, Chair, Water and Health Committee
Carol Metcalf, Director, Accounting Services, Department of Executive Administration
Susan Busbice, Director, Treasury Services, Department of Executive Administration
Melina Thung, Finance Director, Seattle Public Utilities
Susan Cohen, City Auditor
Wendy Soo Hoo, Office of City Auditor
Ruth Riddle, State Auditor's Office